



Role of value for money and service quality on behavioural intention: A study of full service and low cost airlines



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ABSTRACT

The study explore low cost and full service airline consumers' perception of value for money and service quality, and its influence on behavioural intention in the perspectives of means-end chain theory and price sensitivity theory. The study also examines the consumer behaviour of compensating service expectations for better price. Structural equation model was used to test the effect of perceived value for money and service quality on customer satisfaction and their behavioural intention. By confirming the low cost airline passengers' sensitiveness towards value for money, the study supports price sensitivity theory. The results support means end chain theory by identifying perceived value for money and service quality as a significant predictor of consumer satisfaction and behavioural intention.

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1. Introduction

The emergence of low cost airlines and their low price assurance schemes is a major threat to traditional full service airlines that are driven by superior services. Low cost airlines impact civil aviation market (Forgas et al., 2010) by changing the pricing pattern followed in the industry. Whilst traditional full service airlines believe professionalism and superior service quality as a predictor of customer satisfaction and customer loyalty (Forgas et al., 2010), low cost airlines thrive based on the belief that consumers purchasing behaviour is driven by value for money rather than services. Positioning themselves as a price competent service provider, low cost airlines attract consumers successfully. However, price competence and value for money alone may not be a significant predictor of consumers' attitude towards airline choice. If price is the only factor the consumers are concern, there should be overwhelming demand for low cost airlines and failure of full service airlines. Interestingly, the low cost and traditional full service airline consumers perceive service quality and value for money in different perspectives (Periera et al., 2011). There is an ambiguity and little evidences in literature that explore how the airline type interact with value for money and service quality and influences consumer satisfaction

and behavioural intention.

Low-cost airlines initially targeted leisure travellers and then captured a significant proportion of business travellers (Mason, 2001). The global financial crisis revamped the importance of cost cutting in doing businesses and encouraged the business travellers to choose low cost airlines. In particular, business travellers from small and medium sized enterprises (SMEs) attracted by low-cost airlines compared to the travellers working for large sized enterprises and corporates. As SMEs are price sensitive, the value for money schemes introduced by low cost airlines delivered expected value and benefits.

Though low cost airlines succeeded in attracting consumers on the grounds of value for money, they found difficulties in retaining and building loyal customer base. Whilst traditional full service airlines offered value through superior services, low cost airlines solely dependent on lower price assurance schemes. It is not clear, what motivate the consumers to choose low cost airlines. It is also interesting to investigate the role of service quality and value for money in consumers' decision of choosing the low cost and traditional full service airlines. Thus, the study investigates the influence of service quality and value for money on customer satisfaction and behavioural intention. The study also investigates the interaction effect of airline type (low cost and traditional full service airline), service quality and value for money on consumer satisfaction and behavioural intention using means-end theory and price sensitivity theory.

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2. Theoretical framework

The means-end model proposed by Zeithaml (1988) suggests that the perceived value is a direct antecedent to consumer satisfaction and purchase intention. According to Zeithaml (1988), perceived value is a higher level construct which is derived from price based value and quality. The core idea of means-end theory is, individuals are goal directed and they use product/service attributes as means to achieve desired consequences (Gardial et al., 1994; Gutman, 1982).

The consumers' decision to choose low cost and traditional full service airlines can also be explained by price sensitivity theory. Price sensitivity is defined as the extent to which price is an important criterion in the consumers' decision-making process (Erdem et al., 2002; Terui and Dahana, 2006). Price sensitive consumers often switch to a cheaper brand and ready to compensate service expectations for better price. While price sensitivity is preeminent in low cost airlines, service quality is valued in traditional full service airlines (Periera et al., 2011). Hence, the study investigates the low cost and full service airline consumers' perception on value for money, service quality and its influence on consumer satisfaction and behavioural intention, using means-end chain theory and price sensitivity theory (Fig 1).

3. Literature

3.1. Perceived value for money

According to Zeithaml (1988), perceived value is the overall utility received from products and services. Perceived value is a relative term which evolved from two key perspectives of consumer behaviour: the utilitarian (value is linked to prices; known as transaction value) and the psychological perception (emotional aspects of consumers in decision making) (Gallarza and Gil Saura, 2006). In utilitarian terms perceived value is measured as value for money (Kashyap and bojanic, 2000). Value for money is expressed as a tradeoff between the consumer sacrifices (price) and receivables (Kashyap and Bojanic, 2000). Ryu et al. (2008) measure value for money as the consumers' assessment of what has been received and what has given.

Empirical studies on travel and tourism has investigated value for money in utilitarian perspective, where value is considered as perceived utility relative to the price paid (Jayanti and Ghosh, 1996;

Murphy et al., 2000). According to Kashyap and Bojanic (2000), utilitarian perspective of value for money is the best indicator to measure the consumers overall tradeoffs between price and utility.

3.2. Value for money and customer satisfaction

Value for money is an indicator that helps marketers to predict customer satisfaction (Dodds et al., 1991) and to develop pricing and promotion strategies. Value for money has been employed as an indicator in services (Bolton and Drew, 1991; Ostrom and Iacobucci, 1995; Flint et al., 1997; Cronin et al., 2000), tourism (Baker and Crompton, 2000; Brady et al., 2006, 2001; Williams and Soutar, 2009) and travel (Chen, 2008; Forgas et al., 2010; Kim and Lee, 2011; Park, 2004) literature to predict overall customer satisfaction, loyalty, post purchase behaviour and profitability.

Customer satisfaction is a psychological outcome derived from experiences and perceived value (Lee et al., 2007). According to Oliver's (1976) expectancy-disconfirmation model, consumers' attitude and post purchase behaviour towards a product, service and or experience stem from the initial expectations the consumers have had in their black box. Consumers often evaluate purchase experience in terms of value for money. The evaluation leads to customer satisfaction and post purchase behaviour. In line with means-end theory (Oh, 1999; Zeithaml, 1988) and expectancy-disconfirmation model, the study considers value for money a significant predictor of customer satisfaction.

According to Chiou and Chen (2010), full service and low cost airline consumers differ on their perception on value for money, service quality and satisfaction. In addition, Chiou and Chen (2010) found a significant effect of low cost airline consumers perceived value on overall satisfaction. Thus the study hypothesizes that;

H1. Perceived value for money positively influences customer satisfaction.

H1 (a). Value for money perceived from low-cost airlines positively influences customer satisfaction.

H1 (b). Value for money perceived from full service airlines positively influences customer satisfaction.

H1 (c). The effect of value for money on customer satisfaction differs across low cost and traditional full service airlines.

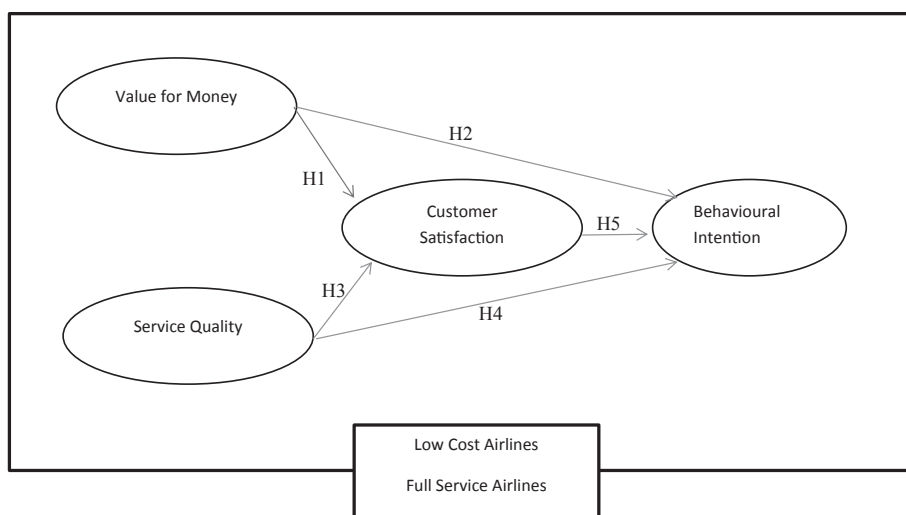


Fig. 1. Conceptual model.

3.3. Value for money and behavioural intention

Value for money predicts the consumers repurchase intentions, word-of-mouth (WOM) publicity and loyalty (Chen, 2008; Cronin et al., 2000; Oh, 1999). Park et al., (2004) measured consumer behavioural intention in the dimensions of future purchasing behaviour and recommendation behaviour. A positive experience that derived from the value for money creates a favourable state of affair and affirmative behavioural intention (Carpenter, 2008). Chen (2008) found a positive association between the consumers' perceived value for money and behavioural intention. Travel and tourism literature indicate that the consumers' repeated visit of a destination and future purchase of services depends on the experiences, satisfaction and the value for money realized from the first visit (Alegre and Cladera, 2006; Zhang et al., 2014). As the consumers travelling by low cost and traditional full service airlines have different expectations, their perception of value for money also differs, which is expected to yield different level of customer satisfaction and behavioural intention. Hence, the study considers, the consumers' behavioural intention is the results of value for money and hypothesize that;

H2. Perceived value for money positively influences consumers' behavioural intention.

H2 (a). Value for money perceived from low-cost airlines positively influences behavioural intention.

H2 (b). Value for money perceived from full service airlines positively influences behavioural intention.

H2 (c). The effect of value for money on behavioural intention differs across low cost and traditional full service airline.

3.4. Service quality

Service quality is a key predictor of success of businesses that thrive based on service orientation. Service quality is the gap between the consumers' initial service expectation and the actual service realization (Parasuraman et al., 1985). Parasuraman et al. (1998) developed SERVQUAL instrument to measure service quality in the dimensions of tangibles, reliability, responsiveness, assurance and empathy. Researchers have used SERVQUAL instruments to measure airline service quality and its effect on customer satisfaction and business performance (Aydin and Yildirim, 2012; Fick and Ritchie, 1991; Sultan and Simpson, 2000).

Saha and Theingi (2009) measured airline service quality in the dimensions of tangibles, schedules, services provided by ground staffs and services provided by flight attendants. Zagat, an airline research firm, assessed airline service quality in the dimensions of overall performance, comfort, service, food and website. Park et al. (2004) assessed airline service quality in the dimensions of reliability and customer service, convenience and accessibility, and in-flight service. As SERVQUAL instruments capture service quality in multiple dimensions, the study utilized SERVQUAL instruments developed by Parasuraman et al. (1998).

3.5. Service quality and customer satisfaction

Service quality is an antecedent to customer satisfaction (Ali et al., 2013). Customer satisfaction is a judgement made by consumers after the service has been consumed (Panda and Das, 2015). Gap between the consumers' expectations and the actual performance of the product/service leads to consumer satisfaction (Hutcheson and Moutinho, 1998; Santouridis and Trivellas, 2010). According to Lau et al. (2006), higher the service quality offered,

presumably, better the customer satisfaction. Saha and Theingi (2009) indicated a positive influence of airline service quality on customer satisfaction. Namakasa (2013) found the positive effect of pre-flight, in-flight and post-flight service quality on customer satisfaction. As services provided by the low-cost and full service airlines are significantly different, the influence of those airlines services on customer satisfaction is expected to differ. Hence, we hypothesize that.

H3. Service quality positively influences customer satisfaction.

H3 (a). Service quality perceived from low-cost airlines positively influences customer satisfaction.

H3 (b). Service quality perceived from full service airlines positively influences customer satisfaction.

H3 (c). The effect of service quality on customer satisfaction differs across low cost and traditional full service airline.

3.6. Service quality and behavioural intention

Service quality contributes to firm's success by influencing consumers' behavioural intention and loyalty (Lin et al., 2009). Cronin et al. (2000) found a positive relationship between service quality, repurchase intention, and willingness to recommend. According to Chen et al. (2013) airline service quality positively influences customer loyalty and enhances word of mouth publicity and commitment. Considering the importance of service quality on the behavioural intention of consumers, the study hypothesizes that;

H4. Service quality positively influences consumer behavioural intention.

H4(a). Service quality perceived from low-cost airlines positively influences behavioural intention.

H4(b). Service quality perceived from full service airlines positively influences behavioural intention.

H4 (c). The effect of service quality on behavioural intention differs across low cost and traditional full service airline.

3.7. Customer satisfaction and intention to recommend

Service marketing researchers view satisfaction as an emotional response that arrives from cognitive responses to service experience (Flint et al., 2011; Otto and Ritchie, 1996; Park et al., 2004; Zeithaml et al., 1990). Customer satisfaction is a key predictor that influences consumers' behavioural intention by facilitating the intention to purchases the product in the future and recommending to others. Customer satisfaction can be viewed as either a valuation process or outcome variable (Oliver, 1980; Fornell and Johnson, 1993). Positioning customer satisfaction as a valuation process, Carpenter (2008) found a positive influence of customer satisfaction on word-of-mouth recommendation and attitudinal loyalty. Anderson (1998) noted that highly dissatisfied and satisfied consumers engage in more WOM activity, compared to the consumers who are less extremely dissatisfied or satisfied. Hui et al. (2007) believe that extremely dissatisfied consumers engage in more WOM activity than extremely satisfied customers.

Literature indicate that 'intention to repurchase the same airline service' and 'willingness to recommend it' to others derive from the customer satisfaction (Bigne et al., 2001; Boulding et al., 1993; Chen, 2008; Cronin and Taylor, 1992). Thus, it is evident that behavioural intention is closely associated with the satisfaction

consumers' experienced with initial purchase (Cronin and Taylor, 1992; Hui et al., 2007; Fornell and Johnson, 1993). In travel industry, satisfied consumers are more likely to use the same service provider in the future and participate in loyalty programmes and recommend the service providers to others (Chen, 2008; Forgas et al., 2010; Zabkar et al., 2010). Hence, the study considers customer satisfaction as a predictor of the consumers' behavioural intention (Anderson and Sullivan, 1993; Anderson, 1998) and hypothesizes that;

H5. Customer satisfaction influences consumers' behavioural intention.

H5 (a). customer satisfaction perceived from low-cost airlines influences behavioural intention.

H5 (b). Customer satisfaction perceived from full service airlines influences behavioural intention.

4. Methodology

Data were collected from the passengers of low cost and full service airlines. Airline passengers contact details were collected from airline booking companies. Passengers were contacted through email and requested to participate in the survey. Passengers travelled from Singapore and Malaysia were considered for the study. Passengers of 15 traditional airlines and 6 low cost airlines were included for the study. Questionnaire included the key variables; perceived value for money, service quality, customer satisfaction, behavioural intention, type of airline travelled, type of cabin flown, and the respondents' profile. 2000 respondents were randomly selected from the sampling frame and an email package containing a copy of the questionnaire and an explanatory statement (that outlined the purposes of the study and assured confidentiality and anonymity) was sent. Within four weeks, 380 completed questionnaire were received. A reminder letter, sent four weeks after the first mail-out, resulted in 65 additional responses. The total of 445 responses, a response rate of 22.3% was achieved. Of the 445 responses, 260 responses were from traditional full service airlines and the 185 responses were from low cost airlines.

4.1. Non-response bias

A non-response bias test was conducted comparing early and late respondents (Armstrong and Overton, 1977; Churchill, 1979) on the key study variables and demographic variables. Late respondents were those who returned the survey documents after receiving a reminder letter. Of the respondents who participated in the study, 85% (n = 380) were early respondents and 15% (n = 65) were late respondents. The non-response bias test indicated no significant differences between early and late respondents on customer satisfaction (t = 0.39, p ≥ 0.05), value for money (t = 1.15, p ≥ 0.05) and behavioural intention (t = 0.98, p ≥ 0.05).

4.2. Measurement items and validity

The measurement items for the constructs service quality, value for money, customer satisfaction and behavioural intention were adapted from prior literature. Measurement items for service quality were adapted from Parasuraman et al. (1998) and modified to suit the study context. Items for value for money were from Forgas et al. (2010), and those for customer satisfaction were adapted from Cronin et al. (2000) and Zabkar et al. (2010). Measurement items for behavioural intention were adapted from

Zabkar et al. (2010). All measures used a 7-point Likert-type scale anchored on 1 = very strongly disagree and 7 = very strongly agree. We pre-tested the questionnaire on 30 respondents and amended the measurement items to enhance the content and face validity. Confirmatory factor analysis was performed to purify the measurement items (See Table 1). Cronbach's α (1951) was calculated to test internal consistency, and the coefficients for the constructs used in the study ranged between 0.83 and 0.92, exceeding the cut-off point of 0.70 (Nunnally, 1978) (see Table 1).

The average variances extracted among the constructs used in the study were above 0.60, indicating convergent validity. As suggested by Anderson and Gerbing (1988), discriminant validity was tested by assessing if the average variance extracted for two constructs or latent variables were greater than the square of the correlation of the constructs or latent variables. The results indicated that the variables used in the model differ distinctly from each other and do not correlate with variables used to measure other constructs Table 2.

Service quality was conceptualised as a second order construct consisting of the latent variables, tangibility, reliability, responsiveness, assurance and empathy with Cronbach α values of 0.92, 0.83, 0.85, 0.83 and 0.87, respectively. The standardised factor loadings weights for the measurement items were above 0.70.

4.3. Analysis

Structural Equation Model (SEM) was used to test the relationships proposed in the study. Model 1 included both traditional and low cost airline consumers and investigated the effect of service quality and value for money on customer satisfaction and behavioural intention. Model 2 and 3 test the relationships proposed in the study in the context of low cost airlines and traditional full service airlines, respectively.

To measure the interaction effect of airline type on the relationships proposed in the study, Cohen and Cohen (1983) regression analysis was performed. The regression has the following equations;

$$Y = \beta_0 + \beta_1 X + \beta_2 Z + \beta_3 XZ$$

Y – Dependent variable (customer satisfaction; behavioural intention)

β_0 – Constant

β_1 – Strength of the independent variable

β_2 – Strength of the moderator

X – Independent variable (service quality; value for money)

Z – Moderator (Airline type)

XZ – Interaction

5. Results and discussions

Respondents participated in the study were from 12 countries and majority of them were from Singapore (32%), Malaysia (30%), Australia (15%), India (8%) and (8%) and Thailand (7%). Of the 445 respondents participated in the survey, 260 (58%) were the passengers of traditional full service airlines and 185 (42%) were the passengers of low cost airlines.

The goodness of fit indices for model 1 (model including both low cost airlines and traditional full service airlines) indicated the overall model fit ($\chi^2 = 98$; RMSEA = 0.07; GFI = 0.91; AGFI = 0.90; CFI = 0.91). The results indicated a positive significant effect of value for money ($\beta = 0.523$, p < 0.001) and service quality ($\beta = 0.685$, p < 0.001) on customer satisfaction and supported

Table 1
Results of confirmatory factor analysis.

	SFL	t-value	AVE & composite reliability
Service quality			
<i>Tangibility</i>			
Aircraft looks modern and new	0.65	5.89	0.92
Physical facilities of airlines is good	0.75	6.54	
Employees are professional looking	0.81	9.21	
Aircraft material are good	0.63	5.88	
Reliability			
On time performance	0.73	5.93	0.83
A sincere interest in solving customer's queries	0.72	5.65	
Perform the service right at the first time	0.65	5.56	
Flight cancellation and reschedule	0.73	6.21	
Insist on error free records	0.75	6.45	
Responsiveness			
Employees updated right information at right time	0.72	6.92	0.85
Employees provided prompt service at check in point	0.66	5.93	
Employees provided prompt inflight services	0.73	6.85	
Employees not too busy to respond to requests.	0.81	8.59	
Assurance			
Feel confidence in travel with the airline	0.74	6.32	0.83
Feel safe in transactions	0.75	6.59	
Feel happy with employees courteousness	0.79	7.01	
Feel happy with employees knowledge to answer questions	0.75	6.85	
Empathy			
Received personalized attention	0.81	7.36	0.87
Operating hours convenient to me	0.67	6.96	
Have customer's best interests at heart	0.82	9.52	
Understand the specific needs	0.69	5.17	
Value for money			
The service is good for the price paid	0.89	8.96	0.90
The fare is very reasonable	0.78	8.52	
I received what I paid for	0.81	8.65	
I see value for the money I paid	0.81	8.05	
Customer satisfaction			
I was satisfied with how the airline had taken care of me	0.64	6.25	0.83
I was satisfied with this airline	0.81	7.95	
I enjoyed the travel	0.75	7.26	
Behavioural intention			
I would select the same airline again if I am going to fly another time	0.90	8.36	0.88
I would recommend my family and relatives to fly with this airline	0.70	7.95	
I would recommend my friends to fly with this airline look forward to travel by this flight again I am loyal to the airline	0.82	8.95	
	0.70	7.56	

^aThe scale format for each of these measures was 1 = strongly disagree to 7 = strongly agree.

^bSFL = Standardized Factor Loadings.

Table 2
Descriptive statistics and correlations among the major variables.

Constructs	1	2	3	4	5	Mean	SD
1. Service Quality	1.00					5.34	0.76
2. Value for Money	.423 ^a	1.00				5.98	0.82
3. Customer Satisfaction	.439 ^a	.426 ^a	1.00			5.66	0.88
4. Behavioural Intention	.532 ^a	.459 ^a	.413 ^a	1.00		5.49	1.04

^a Correlation is significant at the 0.01 level.

hypotheses H1 and H3, respectively. Similarly, the effect of value for money ($\beta = 0.565$, $p < 0.001$) and service quality ($\beta = 0.450$, $p < 0.001$) on consumer behavioural intention found to be positive and significant and supported hypotheses H2 and H4. As supported by theory, the influence of customer satisfaction ($\beta = 0.698$, $p < 0.001$) on behavioural intention found to be positive and significant and supported the Hypothesis H5. It is plausible and anchored by theory that the value for money and service quality are the significant predictor of the consumer satisfaction, consumers' repurchase intention and recommendation behaviour (Fig 2) (Table 3).

The goodness of fit indices for model 2 (Model accounts low cost airlines consumer only) indicated the satisfactory model fit ($\chi^2 = 89$; RMSEA = 0.07; GFI = 0.90; AGFI = 0.89; CFI = 0.90). The

results indicated a positive and significant influence of value for money ($\beta = 0.798$, $p < 0.001$) on customer satisfaction and supported the Hypothesis H1 (a). However, the effect of service quality ($\beta = 0.213$, ns) on customer satisfaction found to be not significant and not supported Hypothesis H3 (a) (Fig 3).

While, the effect of value for money ($\beta = 0.865$, $p < 0.001$) on consumer behavioural intention found to be positive and significant, the influence of service quality ($\beta = 0.174$, ns) on behavioural intention was not significant. Thus, the results supported Hypothesis H2 (a) and not supported Hypothesis H4 (a). As predicted, customer satisfaction ($\beta = 0.543$, $p < 0.001$) had a positive and significant influence on consumer behavioural intention and supported Hypothesis H5 (a). The non-significant effect of service quality on customer satisfaction and behavioural intention indicate that the low cost airline consumers give less importance to perceived service quality. As low cost airline consumers' travel with limited or negligible expectations on service quality, the service quality failure doesn't have any impact on their satisfaction, repeated purchase intention and word of mouth publicity. It is plausible that the consumers of low cost airlines are driven by value for money and are sensitive to price rather than service quality.

The goodness of fit indices for model 3 (Model accounts for traditional full service airline consumers only) indicated the satisfactory model fit ($\chi^2 = 88$; RMSEA = 0.07; GFI = 0.93; AGFI = 0.92;

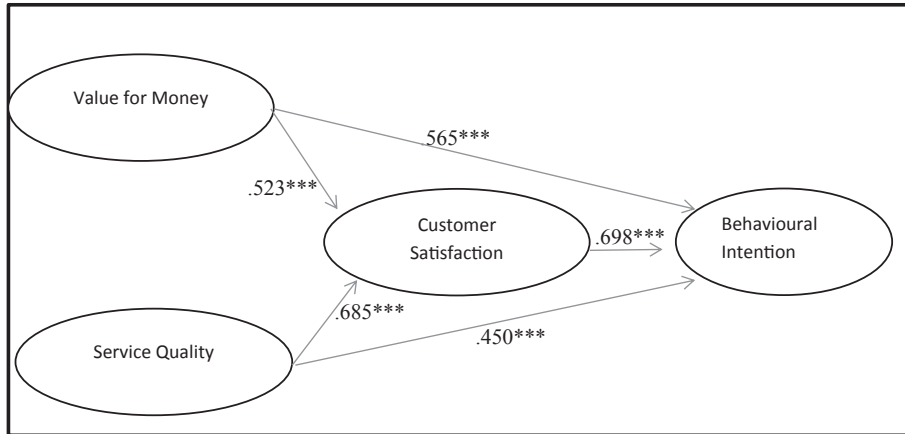


Fig. 2. (Model 1): SEM model for the total model (Low cost and Traditional airlines). * – $p < 0.05$; ** – $p < 0.01$, *** – $p < 0.001$.

Table 3
SEM results.

Dependent variable	Customer satisfaction	Behavioural intention
	Standardized estimate (critical ratio)	Standardized estimate (critical ratio)
Model 1		
Service quality	0.685*** (4.37)	0.450*** (4.06)
Value for money	0.523*** (3.96)	0.565*** (4.25)
Customer satisfaction		0.698*** (5.25)
Model 2 (Low-cost airlines)		
Service quality	0.213 (1.02)	0.174 (0.02)
Value for money	0.798*** (7.55)	0.865*** (7.93)
Customer satisfaction		0.543*** (6.12)
Model 3 (Traditional full service airlines)		
Service quality	0.878*** (8.98)	0.623*** (5.65)
Value for money	0.312** (1.82)	0.423*** (2.21)
Customer satisfaction		0.621*** (5.75)

* – $p < 0.05$; ** – $p < 0.01$, *** – $p < 0.001$.

CFI = 0.93). The results indicated a positive significant influence of value for money ($\beta = 0.0312$, $p < 0.01$) and service quality ($\beta = 0.878$, $p < 0.001$) on customer satisfaction and supported Hypotheses H1 (b) and H3 (b), respectively. Similarly, the effect of value for money ($\beta = 0.423$, $p < 0.001$) and service quality ($\beta = 0.623$, $p < 0.001$) on consumer behavioural intention found to be positive and significant and supported the Hypotheses H2 (b) and H4 (b), respectively. Similar to low cost airlines, customer satisfaction ($\beta = 0.621$, $p < .0001$) influence on behavioural

intention was positive and significant for the traditional full service airlines (Fig. 4). Unlike low cost airline consumers, the traditional full service airline consumers' satisfaction and behavioural intention not only depend on the value for money but also the service quality. Paying premium price, the full service airline consumers expects enhanced and personalised services. Value for money and enhanced services keep the full service airline consumers satisfied, and influence their intention to recommend and travel with the same airline in the future.

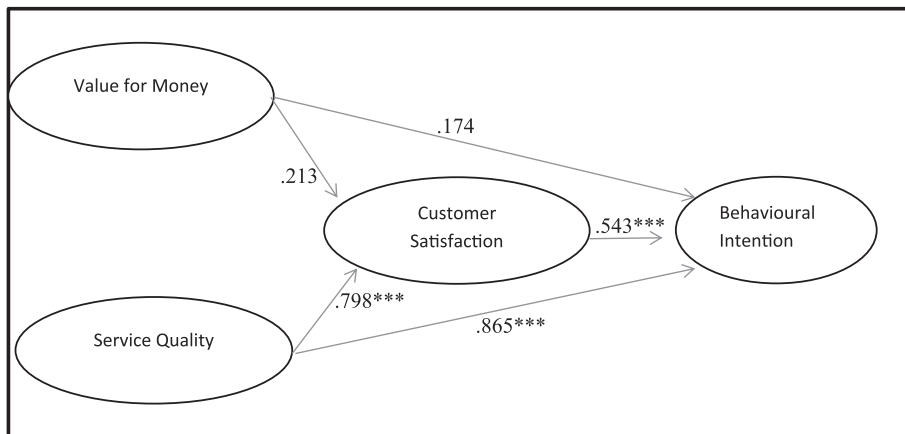


Fig. 3. (Model 2): SEM model for Low cost airlines. * – $p < 0.05$; ** – $p < 0.01$, *** – $p < 0.001$.

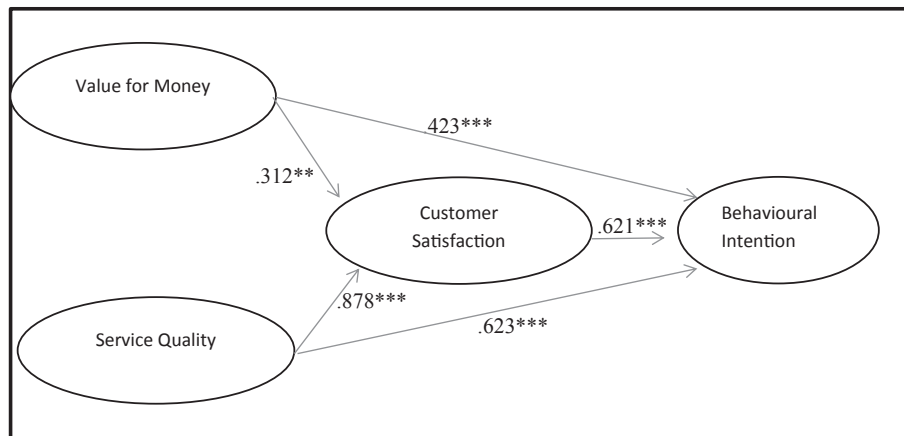


Fig. 4. (Model 3): SEM results for Traditional full service airlines. * – $p < 0.05$; ** – $p < 0.01$, *** – $p < 0.001$.

The regression equation for the direct and interaction effect of value for money (X) and airline type (Z) on customer satisfaction (Y_1) and behavioural intention (Y_2) were

$$Y_1 = 1.98 + 0.54X + 0.21Z + 0.34XZ$$

$$Y_2 = 2.48 + 0.35X + 0.11Z + 0.13XZ$$

The significant interaction effects ($\beta = 0.34$, $p < 0.05$) supported the Hypothesis H1 (c). The results indicated a positive and significant effect of value for money on customer satisfaction for the airline types; low cost ($t = 5.69$, $p \leq 0.001$) and traditional full service ($t = 3.83$, $p \leq 0.001$) airlines. The interaction effects were stronger for low cost airlines compared to traditional full service airlines.

Similarly, the significant interaction effect of value for money and airline type ($\beta = 0.13$, $p \leq 0.05$) on behavioural intention supported Hypothesis H2 (c). The interaction effects were stronger for low cost airlines ($t = 3.97$, $p \leq 0.001$) compared to traditional full service airlines ($t = 3.05$, $p \leq 0.001$).

The regression equation for the direct and interaction effect of service quality (X) and airline type (Z) on customer satisfaction (Y_1) and behavioural intention (Y_2) were

$$Y_1 = 1.35 + 0.27X + 0.03Z + 0.05XZ$$

$$Y_2 = 3.68 + 0.26X + 0.09Z + 0.13XZ$$

The interaction effect of service quality and airline type ($\beta = 0.05$, ns) on customer satisfaction was found to be non-significant and the Hypothesis H3 (c) was not supported.

However, the significant interaction effect of service quality and airline type ($\beta = 0.13$, $p \leq 0.05$) on behavioural intention supported Hypothesis H4 (c). The interaction effects were stronger for traditional full service airlines ($t = 3.97$, $p \leq 0.001$) compared to the low cost airlines ($t = 2.12$, $p \leq 0.05$).

Though the service quality interaction with the airline type not influenced the customer satisfaction, the effects were significant for behavioural intention. That means, even if the consumers not satisfied with the service quality, still they intent to purchase the service again and recommend the airline to others. Combining the interaction effect results and the non-significant effect of service quality on customer satisfaction (Hypothesis H2 a) and behavioural intention (Hypothesis H4 a), we can conclude that the failure of low cost airline service quality influences customer satisfaction but not

the behavioural intention.

6. Conclusion and research implications

The study extends literature by investigating the salience of perceived value for money and service quality in achieving customer satisfaction and behavioural intention in low cost and traditional full service airlines context. As discussed above, the value for money is a crucial factor for low cost airlines to achieve customer satisfaction and favourable behavioural intention. While the low cost airlines depend strongly on value for money, traditional full service airlines survive on the balance between value for money and service quality. The interaction effect results of airline type, value for money and service quality on consumers' recommendation behaviour (WOM publicity) extends current knowledge on airline industry.

7. Implications of the study

The results support price sensitivity theory by confirming the low cost airline consumers' sensitiveness towards value for money, which confirms that low cost airline could perform well on low price assurance schemes. The probability of not recommending low cost airline to other consumers will be high, if there is a shift from price oriented marketing strategy and if, the passengers don't realise value for money from the low cost airlines. Indeed, the effect is comparatively low for traditional full service airlines. However, full service airlines should optimize the price on the basis of value for money and service quality to compete with the emerging low cost airlines. Thus it is important for low cost airlines to assess consumers price sensitiveness and assure all time low price assurance to achieve competitiveness.

Supporting means end chain theory, value for money and service quality is identified as a significant predictor of customer satisfaction and behavioural intention. The interaction effect of value for money and airline type indicates that both low cost and traditional full service airline consumers have similar expectations on value for money and that influences customer satisfaction and behavioural intention. It is interesting to note, the passengers of low cost airlines have little expectations on service quality compared to full service airlines. On the other hand, the traditional full service airline consumers' recommendation behaviour is driven by both service quality and value for money. Hence, a strategic balance between service quality and value for money creates competitive advantage for traditional full service airlines and

assures better performance.

8. Limitations and future research

This study has certain limitations that can be addressed in future research. The data was collected at the Asian context and thus may not be generalizable. Future research could investigate the applicability of the model proposed in this study at different demographic context.

Though the study encourages airline to provide better services, it is not clear what service features bring the low cost and full service airline consumers to the desired level of satisfaction and behavioural intention. Future research could investigate and categorize the required service features for the above mentioned airlines. A choice model explaining the consumer preferences on the grounds of service features and price would provide further insights and guide the airlines to provide better value for money and service quality.

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